

CITY OF POTWIN

POTWIN, KANSAS

Special Financial Statements

December 31, 2010

City of Potwin, Kansas

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December 31, 2010

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Potwin  
Potwin, Kansas

We have audited the accompanying financial statements of the City of Potwin, Kansas, as of and for the year ended December 31, 2010. These financial statements are the responsibility of the City of Potwin, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2009 financial statements and, in our report dated October 6, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City of Potwin, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Potwin, Kansas, as of December 31, 2010, the changes in financial position, or where applicable, its cash flows for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Potwin, Kansas, as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company, LLC*

Certified Public Accountants

October 6, 2011

City of Potwin, Kansas  
 SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
 Year ended December 31, 2010

Funds	Unencumbered		Unencumbered		Unencumbered	
	Cash Balance	Receipts	Expenditures	Cash Balance	Encumbrances	Cash Balance
	12-31-09			12-31-10		12-31-10
General	\$ 18,886	154,917	149,299	24,504	2,627	27,131
Special Revenue						
Employee benefits	11,247	19,887	20,584	10,550	-	10,550
Library	1,007	10,768	10,914	861	-	861
Special fire equipment	24,000	7,699	10,345	21,354	-	21,354
Consolidated streets	34,918	44,967	46,960	32,925	5,717	38,642
Municipal equipment	23,396	4,995	-	28,391	-	28,391
Debt Service						
Bond and interest	7,877	36,035	33,557	10,355	-	10,355
Enterprise, Page 3	65,261	277,804	285,652	57,413	-	57,413
Trust, Page 3	2,271	161	-	2,432	-	2,432
Total primary government	188,863	557,233	557,311	188,785	8,344	197,129
Component units, Page 3	13,726	26,716	28,313	12,129	-	12,129
Total reporting entity	\$ 202,589	583,949	585,624	200,914	8,344	209,258

Composition of Cash

Emprise Bank	\$ 1,797
Demand account - general	110,493
Money market account	84,839
Certificates of deposit	197,129
Total primary government	12,129
Total component units	\$ 209,258
Total reporting entity	

City of Potwin, Kansas  
**SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**  
 Year ended December 31, 2010

<u>Funds</u>	<u>Unencumbered Cash Balance 12-31-09</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unencumbered Cash Balance 12-31-10</u>	<u>Encumbrances</u>	<u>Cash Balance 12-31-10</u>
<b>Enterprise</b>						
<b>Waterworks</b>						
Operating	\$ 30,834	185,953	193,950	22,837	-	22,837
Operation and maintenance	384	5,000	-	5,384	-	5,384
O & M (Whitewater)	22,584	5,000	8,327	19,257	-	19,257
<b>Sewer</b>						
Operating	7,946	49,255	50,828	6,373	-	6,373
Reserve	1,374	-	-	1,374	-	1,374
Replacement reserve	362	672	-	1,034	-	1,034
Refuse	1,777	31,924	32,547	1,154	-	1,154
Total enterprise	\$ 65,261	277,804	285,652	57,413	-	57,413
<b>Trust</b>						
Community house gift	\$ 2,271	161	-	2,432	-	2,432
<b>Component Units</b>						
Potwin Public Library	\$ 6,589	12,041	15,314	3,316	-	3,316
Potwin Recreation Commission	6,006	2,757	2,426	6,337	-	6,337
Potwin Volunteer Fire Department	1,131	11,918	10,573	2,476	-	2,476
Total component units	\$ 13,726	26,716	28,313	12,129	-	12,129

City of Potwin, Kansas  
SUMMARY STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	174,712	11,556	186,268	149,299	(36,969)
Special Revenue					
Employee benefits	26,600	-	26,600	20,584	(6,016)
Library	6,600	4,626	11,226	10,914	(312)
Special fire equipment	34,000	-	34,000	10,345	(23,655)
Consolidated streets	66,000	-	66,000	46,960	(19,040)
Debt Service					
Bond and interest	40,000	-	40,000	33,557	(6,443)
Enterprise					
Water operating	197,888	-	197,888	193,950	(3,938)
Sewer operating	58,125	-	58,125	50,828	(7,297)
Refuse	<u>37,000</u>	<u>-</u>	<u>37,000</u>	<u>32,547</u>	<u>(4,453)</u>
Expenditures subject to current budget	<u>\$ 640,925</u>	<u>16,182</u>	<u>657,107</u>	548,984	<u>(108,123)</u>
Expenditures not subject to budget				<u>8,327</u>	
Total primary government				<u>\$ 557,311</u>	

## City of Potwin, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance - Over (Under)
	2009 Actual	Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 77,779	78,426	85,537	(7,111)
Delinquent tax	7,217	6,321	3,500	2,821
Vehicle tax	14,060	14,449	15,471	(1,022)
Machinery and equipment aid	67	-	-	-
Sales tax	-	4,007	7,000	(2,993)
Franchise tax	20,582	20,663	20,000	663
Community house rent	1,575	1,240	1,600	(360)
Fire contracts	21,353	23,196	24,000	(804)
Fines, fees, permits and other	4,063	1,273	3,200	(1,927)
Interest on investments	354	210	1,000	(790)
Reimbursements	9,933	1,556	-	1,556
Miscellaneous	317	3,576	1,500	2,076
	157,300	154,917	162,808	(7,891)
EXPENDITURES, page 6	154,269	149,299		
Receipts over (under) expenditures	3,031	5,618		
UNENCUMBERED CASH, beginning	15,855	18,886		
UNENCUMBERED CASH, ending	\$ 18,886	24,504		

## City of Potwin, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009			Over
	Actual	Actual	Budget	(Under)
EXPENDITURES				
General				
Personal services	\$ 36,191	36,536	43,000	(6,464)
Contractual services	17,459	14,751	20,500	(5,749)
Utilities	4,254	4,805	5,000	(195)
Commodities and other	15,417	16,527	8,000	8,527
Fire				
Contractual services and other	18,114	18,268	15,000	3,268
Transfer to Municipal Equipment Fund	3,856	4,969	9,000	(4,031)
Parks				
Personal services	959	373	3,500	(3,127)
Other	5,200	3,065	2,700	365
Court	1,831	2,358	4,000	(1,642)
Street lights	5,948	6,155	6,000	155
Community House	12,944	14,252	11,500	2,752
Scout House	976	682	500	182
Library	285	265		265
Police protection	14,963	15,697	14,912	785
Audit	-	3,239	4,100	(861)
Property tax	-	3,378	-	3,378
Other	6,872	3,979	5,000	(1,021)
Transfers				
Municipal Equipment Fund	1,000	-	5,000	(5,000)
Consolidated Streets Fund	8,000	-	17,000	(17,000)
	154,269	149,299	174,712	(25,413)
Adjustment for qualifying budget credits	-	-	11,556	(11,556)
Total expenditures	\$ 154,269	149,299	186,268	(36,969)

## City of Potwin, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
<b>EMPLOYEE BENEFITS FUND</b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 16,570	15,449	16,853	(1,404)
Delinquent tax	1,732	986	700	286
Vehicle tax	3,115	3,452	3,298	154
Machinery and equipment aid	14	-	-	-
	<u>21,431</u>	<u>19,887</u>	<u>20,851</u>	<u>(964)</u>
<b>EXPENDITURES</b>				
FICA and Medicare	3,165	3,385	4,000	(615)
Unemployment	91	159	100	59
KPERS	4,452	5,749	5,000	749
Workers compensation	1,699	1,174	1,500	(326)
Health insurance	9,445	10,117	16,000	(5,883)
	<u>18,852</u>	<u>20,584</u>	<u>26,600</u>	<u>(6,016)</u>
Receipts over (under) expenditures	2,579	(697)		
UNENCUMBERED CASH, beginning	<u>8,668</u>	<u>11,247</u>		
UNENCUMBERED CASH, ending	<u>\$ 11,247</u>	<u>10,550</u>		
<b>LIBRARY FUND</b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 4,915	4,820	5,258	(438)
Delinquent tax	507	408	190	218
Vehicle tax	925	914	978	(64)
Machinery and equipment aid	4	-	3	(3)
Reimbursements	5,723	4,626	-	4,626
	<u>12,074</u>	<u>10,768</u>	<u>6,429</u>	<u>4,339</u>
<b>EXPENDITURES</b>				
Salaries and benefits	5,723	5,640	-	5,640
Appropriations to Library Board	6,167	5,274	6,600	(1,326)
Adjustment for qualifying budget credits	-	-	4,626	(4,626)
	<u>11,890</u>	<u>10,914</u>	<u>11,226</u>	<u>(312)</u>
Receipts over (under) expenditures	184	(146)		
UNENCUMBERED CASH, beginning	<u>823</u>	<u>1,007</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,007</u>	<u>861</u>		

## City of Potwin, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
<b><u>SPECIAL FIRE EQUIPMENT FUND</u></b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 5,617	6,199	6,759	(560)
Delinquent tax	512	458	200	258
Vehicle tax	975	1,042	1,118	(76)
Machinery and equipment aid	5	-	-	-
Interest	49	-	-	-
	<u>7,158</u>	<u>7,699</u>	<u>8,077</u>	<u>(378)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>6,992</u>	<u>10,345</u>	<u>34,000</u>	<u>(23,655)</u>
Receipts over (under) expenditures	166	(2,646)		
UNENCUMBERED CASH, beginning	<u>23,834</u>	<u>24,000</u>		
UNENCUMBERED CASH, ending	<u>\$ 24,000</u>	<u>21,354</u>		
<b><u>CONSOLIDATED STREETS FUND</u></b>				
<b>RECEIPTS</b>				
State payments	\$ 10,908	11,630	12,550	(920)
County payments	2,730	1,920	1,826	94
Other	700	8	-	8
Sales tax	6,951	16,723	7,000	9,723
Transfer from Refuse Fund - Surcharge	4,694	4,686	4,000	686
Transfer from Refuse Fund	-	-	4,500	(4,500)
Transfer from Sewer Fund	5,000	5,000	-	5,000
Transfer from Water Operating Fund	-	5,000	-	5,000
Transfer from General Fund	<u>8,000</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
	<u>38,983</u>	<u>44,967</u>	<u>39,876</u>	<u>5,091</u>
<b>EXPENDITURES</b>				
Personal services	3,014	2,253	-	2,253
Contractual services	24,581	43,430	66,000	(22,570)
Commodities and other	<u>9,122</u>	<u>1,277</u>	<u>-</u>	<u>1,277</u>
	<u>36,717</u>	<u>46,960</u>	<u>66,000</u>	<u>(19,040)</u>
Receipts over (under) expenditures	2,266	(1,993)		
UNENCUMBERED CASH, beginning	<u>32,652</u>	<u>34,918</u>		
UNENCUMBERED CASH, ending	<u>\$ 34,918</u>	<u>32,925</u>		

## City of Potwin, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance - Over (Under)
	2009 Actual	Actual	Budget	
<u>MUNICIPAL EQUIPMENT FUND</u>				
RECEIPTS				
Interest	\$ -	26		
Other	75	-		
Transfer from General	4,856	4,969		
	4,931	4,995		
EXPENDITURES				
Capital outlay	1,000	-		NOT APPLICABLE
Receipts over (under) expenditures	3,931	4,995		
UNENCUMBERED CASH, beginning	19,465	23,396		
UNENCUMBERED CASH, ending	\$ 23,396	28,391		

## City of Potwin, Kansas

**Debt Service Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance - Over (Under)
	2009 Actual	Actual	Budget	
<b><u>BOND AND INTEREST FUND</u></b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 24,946	22,538	24,590	(2,052)
Delinquent tax	2,673	2,052	500	1,552
Vehicle tax	4,770	4,646	4,964	(318)
Machinery and equipment aid	21	-	-	-
Special assessments	13,396	6,799	2,500	4,299
	<u>45,806</u>	<u>36,035</u>	<u>32,554</u>	<u>3,481</u>
<b>EXPENDITURES</b>				
Principal	21,000	22,000	22,000	-
Interest	12,590	11,555	11,555	-
Commission	3	2	445	(443)
Purchase of lots for delinquent taxes	11,359	-	-	-
Cash basis reserve	-	-	6,000	(6,000)
	<u>44,952</u>	<u>33,557</u>	<u>40,000</u>	<u>(6,443)</u>
Receipts over (under) expenditures	854	2,478		
UNENCUMBERED CASH, beginning	<u>7,023</u>	<u>7,877</u>		
UNENCUMBERED CASH, ending	<u>\$ 7,877</u>	<u>10,355</u>		

## City of Potwin, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009			Over
	Actual	Actual	Budget	(Under)
<b>WATER OPERATING FUND</b>				
<b>RECEIPTS</b>				
Water sales - residents	\$ 103,716	112,514	105,000	7,514
Water sales - Whitewater	50,857	51,081	58,000	(6,919)
Penalties and taxes	5,809	5,152	6,000	(848)
Connect fees	675	810	750	60
City of Whitewater fee	14,748	14,981	14,000	981
Interest	2,334	1,415	1,000	415
	<u>178,139</u>	<u>185,953</u>	<u>184,750</u>	<u>1,203</u>
<b>EXPENDITURES</b>				
Personal services	27,243	36,614	28,500	8,114
Utilities	4,395	5,279	5,500	(221)
Contractual services	19,081	20,384	27,500	(7,116)
Commodities and other	13,090	17,574	17,000	574
Miscellaneous	-	-	10,000	(10,000)
Capital outlay	1,059	4,760	4,000	760
Purchase of water	81,598	83,950	95,000	(11,050)
KDHE revolving loan	10,389	10,389	10,388	1
Transfer to Consolidated Streets	-	5,000	-	5,000
Transfer to Water Reserve	-	5,000	-	5,000
Transfer to Waterworks O and M	3,333	5,000	-	5,000
	<u>160,188</u>	<u>193,950</u>	<u>197,888</u>	<u>(3,938)</u>
Receipts over (under) expenditures	17,951	(7,997)		
UNENCUMBERED CASH, beginning	<u>12,883</u>	<u>30,834</u>		
UNENCUMBERED CASH, ending	\$ 30,834	22,837		

## City of Potwin, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance-
	2009	Actual	Budget	Over
	Actual			(Under)
<u>WATERWORKS OPERATION AND MAINTENANCE</u>				
RECEIPTS				
Transfer from Water Operating	\$ -	5,000		
EXPENDITURES				
Maintenance expenditures	-	-		NOT APPLICABLE
Receipts over (under) expenditures	-	5,000		
UNENCUMBERED CASH, beginning	384	384		
UNENCUMBERED CASH, ending	<u>\$ 384</u>	<u>5,384</u>		
 <u>WATERWORKS O &amp; M (Whitewater)</u>				
RECEIPTS				
Transfer from Water Operating	\$ 3,333	5,000		
EXPENDITURES				
Maintenance expenditures	5,749	8,327		NOT APPLICABLE
Receipts over (under) expenditures	(2,416)	(3,327)		
UNENCUMBERED CASH, beginning	25,000	22,584		
UNENCUMBERED CASH, ending	<u>\$ 22,584</u>	<u>19,257</u>		

## City of Potwin, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009			Over
	Actual	Actual	Budget	(Under)
<b><u>SEWER OPERATING FUND</u></b>				
<b>RECEIPTS</b>				
Sewer fees	\$ 51,377	49,255	51,500	(2,245)
<b>EXPENDITURES</b>				
Personal services	14,046	15,800	15,000	800
Utilities	2,973	2,008	4,400	(2,392)
Contractual services	9,646	11,368	15,000	(3,632)
Commodities and other	3,514	547	5,000	(4,453)
Capital outlay	-	2,380	-	2,380
Miscellaneous	-	-	5,000	(5,000)
KDHE revolving loan	13,053	13,053	13,053	-
Transfer to Consolidated Streets	5,000	5,000	-	5,000
Transfer to Sewer Project	4,521	-	-	-
Transfer to Sewer Replacement Reserve	672	672	672	-
	<u>53,425</u>	<u>50,828</u>	<u>58,125</u>	<u>(7,297)</u>
Receipts over (under) expenditures	(2,048)	(1,573)		
UNENCUMBERED CASH, beginning	<u>9,994</u>	<u>7,946</u>		
UNENCUMBERED CASH, ending	<u>\$ 7,946</u>	<u>6,373</u>		
<b><u>SEWER RESERVE</u></b>				
<b>RECEIPTS</b>				
	\$ -	-		
<b>EXPENDITURES</b>				
Sewer line project costs	4,398	-		
Transfer to Sewer Project	6,429	-		
	<u>10,827</u>	-		
Receipts over (under) expenditures	(10,827)	-		
UNENCUMBERED CASH, beginning	<u>12,201</u>	<u>1,374</u>		
UNENCUMBERED CASH, ending	<u>\$ 1,374</u>	<u>1,374</u>		

NOT APPLICABLE

## City of Potwin, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>SEWER REPLACEMENT RESERVE</u>				
RECEIPTS				
Transfer from Sewer Operating	\$ 672	672		
EXPENDITURES				
Transfer to Sewer Project	8,000	-	NOT APPLICABLE	
Receipts over (under) expenditures	(7,328)	672		
UNENCUMBERED CASH, beginning	7,690	362		
UNENCUMBERED CASH, ending	<u>\$ 362</u>	<u>1,034</u>		
<u>REFUSE FUND</u>				
RECEIPTS				
Refuse fees	\$ 31,726	30,204	34,500	(4,296)
Other	1,774	1,720	1,800	(80)
	<u>33,500</u>	<u>31,924</u>	<u>36,300</u>	<u>(4,376)</u>
EXPENDITURES				
Contractual services	24,625	24,162	24,500	(338)
Personal services and other	6,858	3,699	8,000	(4,301)
Transfer to Consolidated Streets	4,694	4,686	4,500	186
	<u>36,177</u>	<u>32,547</u>	<u>37,000</u>	<u>(4,453)</u>
Receipts over (under) expenditures	(2,677)	(623)		
UNENCUMBERED CASH, beginning	4,454	1,777		
UNENCUMBERED CASH, ending	<u>\$ 1,777</u>	<u>1,154</u>		

City of Potwin, Kansas  
**Trust Funds**  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
 Year ended December 31, 2010

	<u>Community House Gift Fund</u>
<u>TRUST</u>	
RECEIPTS	
Other	\$ 140
Interest	<u>21</u>
	161
EXPENDITURES	<u>-</u>
Receipts over (under) expenditures	161
UNENCUMBERED CASH, beginning	<u>2,271</u>
UNENCUMBERED CASH, ending	<u><u>\$ 2,432</u></u>

City of Potwin, Kansas  
**Component Units**  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES**  
Year ended December 31, 2010

	<u>General</u>	<u>SCKLS</u>	<u>Total</u>
<b><u>POTWIN PUBLIC LIBRARY</u></b>			
<b>RECEIPTS</b>			
Appropriations from city	\$ 5,274	-	5,274
SCKLS	-	3,996	3,996
Township payment	2,400	-	2,400
Other	<u>371</u>	<u>-</u>	<u>371</u>
	<u>8,045</u>	<u>3,996</u>	<u>12,041</u>
<b>EXPENDITURES</b>			
Salaries and benefits	2,726	2,787	5,513
Books, periodicals, materials	2,719	4,388	7,107
Utilities	1,946	-	1,946
Other operating expenses	<u>-</u>	<u>748</u>	<u>748</u>
	<u>7,391</u>	<u>7,923</u>	<u>15,314</u>
Receipts over (under) expenditures	654	(3,927)	(3,273)
UNENCUMBERED CASH, beginning	<u>(445)</u>	<u>7,034</u>	<u>6,589</u>
UNENCUMBERED CASH, ending	<u>\$ 209</u>	<u>3,107</u>	<u>3,316</u>
 <b><u>POTWIN RECREATION COMMISSION</u></b>			
<b>RECEIPTS</b>			
Entry fees			\$ 2,735
Interest			<u>22</u>
			<u>2,757</u>
<b>EXPENDITURES</b>			
Youth programs			1,849
Concessions			<u>577</u>
			<u>2,426</u>
Receipts over (under) expenditures			331
UNENCUMBERED CASH, beginning			<u>6,006</u>
UNENCUMBERED CASH, ending			<u>\$ 6,337</u>

City of Potwin, Kansas  
**Component Units**  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2010

POTWIN VOLUNTEER FIRE DEPARTMENT

RECEIPTS

Contributions and other	\$ 11,918
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EXPENDITURES

Fundraising and other	<u>10,573</u>
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Receipts over (under) expenditures	1,345
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UNENCUMBERED CASH, beginning	<u>1,131</u>
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UNENCUMBERED CASH, ending	<u>\$ 2,476</u>
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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Potwin is a municipal corporation governed by an elected five-member council. These financial statements present the City of Potwin (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The component units' financial statements include the financial data of the discretely presented component units. The component units are reported separately to emphasize that they are legally separate from the City. The governing bodies of the component units are appointed by the City.

Potwin Public Library--The Potwin Public Library board operates the City's public library. The City makes appropriations to the library to assist in funding capital expenditures and operating expenses.

Potwin Recreation Commission--The Potwin Recreation Commission is responsible for organizing the City's various youth and adult recreational activities.

Potwin Volunteer Fire Department--The Potwin Volunteer Fire Department raises funds to buy equipment and other items for the fire department.

Basis of Accounting

These financial statements are presented on a statutory basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for good and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made. The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of presentation described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities.

Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2010:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Capital Project Funds--to account for financial resources segregated for the acquisition of major capital facilities and equipment other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Trust Funds--to account for assets held by a governmental unit in a trustee capacity.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
3. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The City of Potwin's budget for 2010 was not amended.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using a modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for enterprise reserve funds, capital project funds, trust and agency funds, and the following special revenue fund:

Municipal Equipment Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2010, the City's investments included only bank certificates of deposits with a fair value of \$84,839, which are not subject to investment rating.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## 4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the carrying amount of the City's deposits, including component units, was \$209,258. The bank balance totaled \$214,826. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$214,826 was covered by FDIC insurance. In addition, bank deposits are collateralized with securities held by the pledging financial institution's agents in the City's name.

Composition of Cash Balance

The cash balance consisted of the following at December 31, 2010:

	Primary <u>Government</u>	Component <u>Units</u>	<u>Total</u>
Amount on deposit with financial institutions:			
Checking and money market accounts	\$ 112,290	9,978	122,268
Time deposits	<u>84,839</u>	<u>2,151</u>	<u>86,990</u>
	<u>\$ 197,129</u>	<u>12,129</u>	<u>209,258</u>

## 5. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violation incurred in the year ended December 31, 2010.

City of Potwin, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. LONG-TERM DEBT

Changes in the long-term liabilities for the City for the year ended December 31, 2010 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 12-31-09	Additions	Retirements	Balance 12-31-10	Interest Paid
<b>General Obligation Bonds</b>									
McNary Addition	5.00-7.75%	04/01/01	\$ 145,000	09/01/16	\$ 80,000	-	10,000	70,000	3,925
Community House	4.750%	12/04/03	100,000	09/01/18	68,000	-	6,000	62,000	3,230
Equipment	5.500%	12/29/05	100,000	12/01/20	80,000	-	6,000	74,000	4,400
					<u>228,000</u>	<u>-</u>	<u>22,000</u>	<u>206,000</u>	<u>11,555</u>
<b>KDHE Revolving Loans</b>									
Public Water Supply	3.770%	10/12/04	145,000	08/01/25	123,962	-	5,769	118,193	4,620
Water Pollution Control	2.790%	02/25/04	200,000	09/01/24	<u>136,451</u>	<u>-</u>	<u>9,311</u>	<u>127,140</u>	<u>3,742</u>
					<u>260,413</u>	<u>-</u>	<u>15,080</u>	<u>245,333</u>	<u>8,362</u>
<b>No Fund Warrants</b>									
Fire Truck Improvements	1.000%	12/01/01	10,000	12/01/11	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>20</u>
Total long-term debt					<u>\$490,413</u>	<u>-</u>	<u>39,080</u>	<u>451,333</u>	<u>19,937</u>

Scheduled payments of long-term debt and interest through maturity are as follows:

	Year ending December 31							
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-Mat.</u>	<u>Total</u>
<b>Principal</b>								
General Obligation Bonds	\$ 23,000	23,000	23,000	24,000	30,000	83,000	-	206,000
Revolving Loans	<u>15,561</u>	<u>16,057</u>	<u>16,571</u>	<u>17,101</u>	<u>17,647</u>	<u>97,096</u>	<u>65,300</u>	<u>245,333</u>
Total principal	<u>38,561</u>	<u>39,057</u>	<u>39,571</u>	<u>41,101</u>	<u>47,647</u>	<u>180,096</u>	<u>65,300</u>	<u>451,333</u>
<b>Interest</b>								
General Obligation Bonds	10,465	9,328	8,190	7,028	5,810	10,222	-	51,043
Revolving Loans	<u>7,880</u>	<u>7,385</u>	<u>6,870</u>	<u>6,341</u>	<u>5,794</u>	<u>20,112</u>	<u>5,507</u>	<u>59,889</u>
Total interest	<u>18,345</u>	<u>16,713</u>	<u>15,060</u>	<u>13,369</u>	<u>11,604</u>	<u>30,334</u>	<u>5,507</u>	<u>110,932</u>
Total principal and interest	<u>\$ 56,906</u>	<u>55,770</u>	<u>54,631</u>	<u>54,470</u>	<u>59,251</u>	<u>210,430</u>	<u>70,807</u>	<u>562,265</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

## 7. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by Statute, was 7.14% at December 31, 2010. The City's employer contribution to KPERS for the years ending December 31, 2010, 2009, and 2008, were \$5,749, \$4,452 and \$4,511 respectively, equal to the statutory required contribution for each year.

## 8. COMPENSATED ABSENCES

Vacations

Full-time employees earn one week of paid vacation upon completion of one year of employment, two weeks annually for two through nine years, and three weeks annually upon completion of ten or more years of employment. Vacation time must be used during the year and may not be accumulated or carried forward to subsequent years.

Sick Leave

Full-time employees earn ten days of paid sick leave per year, cumulative to thirty days at full pay and thirty days at half pay. Unused sick leave is not paid to employees upon termination of employment. Unused sick leave has not been recorded in the accompanying financial statements.

## 9. INTERFUND TRANSFERS

Operating transfers during 2010 were as follows:

Transfers to	Transfer from				
	General	Sewer Operating	Water Operating	Refuse	Total
Consolidated Streets	\$ -	5,000	5,000	4,686	14,686
Sewer Replacement Reserve	-	672	-	-	672
Water O & M	-	-	5,000	-	5,000
Waterworks O & M (WW)	-	-	5,000	-	5,000
Municipal Equipment	4,969	-	-	-	4,969
	<u>\$ 4,969</u>	<u>5,672</u>	<u>15,000</u>	<u>4,686</u>	<u>30,327</u>

## 10. MANAGEMENT'S DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through October 6, 2011, which is the date at which the financial statements were available to be issued.